

Message Text

UNCLASSIFIED

PAGE 01 LONDON 16761 01 OF 03 031612Z

44

ACTION EB-07

INFO OCT-01 AF-06 ARA-10 EUR-12 ISO-00 SSO-00 NSCE-00

USIE-00 INRE-00 STR-04 AGR-10 CEA-01 CIAE-00 COME-00

DODE-00 FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-02 AID-05 CIEP-02 SS-15 TAR-01 TRSE-00

PRS-01 SP-02 FEAE-00 OMB-01 EA-09 NEA-10 IO-10 OIC-02

/138 W

----- 110567

O R 032109Z NOV 75 ZFF 4

FM AMEMBASSY LONDON

TO SECSTATE WASHDC NIACT IMMEDIATE 6101

INFO AMEMBASSY BRASILIA

AMEMBASSY BOGOTA

AMEMBASSY MEXICO

AMEMBASSY ABIDJAN

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS SECTION 01 OF 03 LONDON 16761

E.O. 11652: N/A

TAGS: ETRD, EAGR

SUBJECT: COFFEE NEGOTIATIONS: OPENING SESSION

1. FINAL NEGOTIATIONS FOR A NEW INTERNATIONAL COFFEE AGREEMENT BEGAN WITH A COUNCIL SESSION MONDAY MORNING NOVEMBER 3. HIGHLIGHT OF THE SESSION WAS A STRONG STATEMENT BY CALAZANS OUTLINING THE BRASILIAN POSITION. A FULL TEXT OF THE STATEMENT IS INCLUDED.

2. BEGIN TEXT. IN JUNE, AT THE BEGINNING OF WHAT SHOULD HAVE BEEN THE LAST SESSION FOR THE NEGOTIATION OF A NEW INTERNATIONAL COFFEE AGREEMENT, THE BRAZILIAN DELEGATION EXPRESSED THE POLITICAL WILL OF OUR
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 16761 01 OF 03 031612Z

GOVERNMENT TO CONCLUDE AN AGREEMENT CAPABLE OF SERVING,

ON AN EQUITABLE BASIS, THE INTERESTS OF BOTH PRODUCING AND CONSUMING COUNTRIES. AT THAT TIME, WE ALSO POINTED OUT THAT EACH COUNTRY REPRESENTED HERE SHOULD MAKE AN EFFORT OF SELF-RESTRAINT IF WE WERE TO OBTAIN A LASTING BALANCE BETWEEN RIGHTS AND OBLIGATIONS IN THE CONTEXT OF THE AGREEMENT.

WE ALL KNOW THAT IT PROVED IMPOSSIBLE TO DRAW UP, DURING THE LAST SESSION, THE FINAL TEXT OF THE AGREEMENT. NEVERTHELESS, THANKS TO THE ARDUOUS EFFORTS THEN MADE, ESPECIALLY WITHIN THE CONTACT GROUP, WE SUCCEEDED IN REACHING A PACKAGE OF SIGNIFICATIVE DECISIONS REGARDING THE BASIC MECHANISMS OF THE AGREEMENT. IN FACT, WE ONLY LEFT PENDING THE DISTRIBUTION OF THE MARKET AMONG EXPORTERS AND A FEW OTHER MATTERS THAT, ALTHOUGH RELEVANT WERE NO DOUBT MARGINAL TO THE BODY OF BASIC DECISIONS REACHED AT THAT TIME.

IF ONE COMPARES THE NEW AGREEMENT, SUCH AS OUTLINED AT THE JUNE-JULY SESSION, WITH THE TWO PREVIOUS PACTS, IT STANDS OUT CLEARLY THAT THE MAIN INNOVATIONS ARE MEANT TO ALLAY THE CONCERNS OF IMPORTING COUNTRIES.

IT IS WORTH MENTIONING HERE THESE NEW ELEMENTS, ALL INTRODUCED WITH A VIEW TO OFFERING GREATER GUARANTEES OF SUPPLY TO IMPORTING COUNTRIES:

A) THE SYSTEM OF MIXED QUOTAS, WHEREBY AN IMPORTANT PART OF THE ANNUAL EXPORT QUOTAS OF PRODUCING COUNTRIES SHALL BE BASED ON VERIFIED STOCKS, THUS REDUCING, IF NOT ALTOGETHER ELIMINATING, THE ALLEGED RISK THAT QUOTAS COULD BE MADE UP OF SO-CALLED PAPER-COFFEE;

B) THE PENALTIES FOR COUNTRIES WHICH DO NOT MAKE IN DUE TIME THE NOTIFICATION OF SHORTFALLS;

C) THE COMMITMENT, UNDERTAKEN BY PRODUCING COUNTRIES, NOT TO TAKE OR MAINTAIN ANY GOVERNMENTAL MEASURE WHICH, WHEN PRICES ARE ABOVE THE MID-POINT OF THE PRICE RANGE, RESTRICTS THE FLOW OF COFFEE TO IMPORTING MEMBERS; AND

D) THE PROVISIONS RELATING TO THE SUSPENSION OF QUOTAS IN RESPONSE TO SUDDEN AND SUBSTANTIAL PRICE RISES.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 16761 01 OF 03 031612Z

THESE ARE, MR. CHAIRMAN, POWERFUL TOOLS AT THE SERVICE OF THE INTERESTS OF IMPORTING COUNTRIES, REPRESENTING, WHEN TAKEN TOGETHER, A SOLID GUARANTEE OF SUPPLY PROVIDED BY PRODUCERS. IN TURN, THE PRODUCING MEMBERS WERE UNABLE TO INTRODUCE IN THE NEW AGREEMENT SOME CONCEPTS OF THE UTMOST IMPORTANCE TO THEIR DEVELOPING ECONOMIES, SUCH AS THE AUTOMATIC OR SEMI-AUTOMATIC

READJUSTMENT MF PRICES IN RESPONSE TO WORLD INFLATION
OR PARITY CHANGES AMONG THE MAIN CURRENCIES; LIKEWISE,
THEY FOUND NO SUPPORT, ON THE PART OF CONSUMING MEMBERS,
FOR THE IDEA OF FIXING THE ANNUAL EXPORT QUOTA BY MEANS
OF OBJECTIVE CRITERIA, OR TO THE SETTING UP OF AN
INTERNATIONAL STOCK JOINTLY FINANCED BY EXPORTERS AND
IMPORTERS.

THERE IS, IN EFFECT, A CLEAR UNBALANCE BETWEEN
INNOVATIONS INSPIRED BY CONSUMERS AND PRODUCERS,
TO SUCH AN EXTENT THAT THE NEW PACT FALLS SHORT OF

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 16761 02 OF 03 031612Z

44

ACTION EB-07

INFO OCT-01 AF-06 ARA-10 EUR-12 ISO-00 SSO-00 NSCE-00

USIE-00 INRE-00 AGR-10 CEA-01 CIAE-00 COME-00 DODE-00

FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-02 AID-05 CIEP-02 SS-15 TAR-01 TRSE-00 PRS-01

SP-02 FEAE-00 OMB-01 STR-04 EA-09 NEA-10 IO-10 OIC-02

/138 W

----- 110587

O R 052109Z NOV 75 ZFF 4

FM AMEMBASSY LONDON

TO SECSTATE WASHDC NIACT IMMEDIATE 6102

INFO AMEMBASSY BRASILIA

AMEMBASSY BOGOTA

AMEMBASSY MEXICO

AMEMBASSY ABIDJAN

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS SECTION 02 OF 03 LONDON 16761

WHAT WOULD BE DESIRABLE FROM THE POINT OF VIEW OF EXPORTING MEMBERS. NOTWITHSTANDING, THE BRAZILIAN GOVERNMENT IS READY TO PARTICIPATE IN THE AGREEMENT, ON THE BASIS OF WHAT WAS AGREED UPON DURING THE LAST SESSION, WE BELIEVE THAT INTERNATIONAL COOPERATION CAN BE USEFUL FOR THE ORDERING OF THE WORLD COFFEE MARKET IN THE LONG RUN.

A FEW DAYS AFTER THE CLOSE OF THE LAST SESSION, BRAZIL WAS HIT BY THE BIGGEST FROST IN THE LAST FIFTY YEARS, A NATURAL PHENOMENON OF SURPRISING INTENSITY AND GEOGRAPHICAL AMPLITUDE. THE BRAZILIAN GOVERNMENT
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 16761 02 OF 03 031612Z

MADE IT A POINT OF OPENING OUR DOORS TO ALL THOSE WHO WISHED TO OBSERVE AT FIRST HAND THE EFFECTS OF THE FROST - AND I CAN SEE THAT MANY PEOPLE PRESENT HERE HAD THE OPPORTUNITY OF VISITING THE AFFECTED AREAS. FOR THIS REASON, I FIND IT UNNECESSARY TO REPEAT NOW THE CONCLUSIONS OF THE SURVEY CARRIED OUT BY THE BRAZILIAN COFFEE INSTITUTE, ESPECIALLY SINCE THESE CONCLUSIONS WERE CONFIRMED BY OTHER BOTH BRAZILIAN AND FOREIGN, AGENCIES. AS THE LEVEL OF BRAZILIAN STOCKS, BOTH IN THE HANDS OF BCI AND OF PRIVATE PARTIES, IS ALSO WELL-KNOWN, IT CAN BE EASILY FIGURED OUT THAT BEFORE THE NEXT THREE OR FOUR YEARS BRAZIL WILL BE UNABLE TO RECOVER ITS NORMAL EXPORT PERFORMANCE.

IN THIS CONNECTION, MR. CHAIRMAN, I FEEL IT IS MY DUTY TO REITERATE, IN THIS FORUM, THAT BRAZIL DOES NOT INTEND TO ABANDON ITS PLACE AS A MAJOR WORLD SUPPLIER OF COFFEE. THIS IS NOT A MERE DECLARATION OF INTENTION, BUT THE EXPRESSION OF CONCRETE DECISIONS WHICH, AT THIS VERY MOMENT, ARE BEING CARRIED OUT IN FULL. THE BRAZILIAN GOVERNMENT, AS IT IS ALSO WIDELY KNOWN, HAS ASSIGNED APPROXIMATELY 1 BILLION DOLLARS FOR THE RECOVERY OF OUR PLANTATIONS, THE LARGEST AMOUNT OF FINANCIAL RESOURCES EVER ALLOTTED IN THE WORLD FOR THE SUPPORT OF COFFEE PRODUCTION. THE RESPONSE OF OUR GROWERS JUSTIFIED OUR CONVICTION THAT WE SHALL REACH AGAIN A NORMAL LEVEL OF PRODUCTION, THUS ENSURING OUR TRADITIONAL SHARE IN COFFEE EXPORTS. THOSE WHO MAY HARBOUR DOUBTS ABOUT OUR RECOVERY - AND MIGHT FEEL ENCOURAGED TO MAKE NEW PLANTATIONS - WILL BE EMBARKING UPON A DANGEROUS GAMBLE, OF QUESTIONABLE INSPIRATION, WITH DRAMATIC CONSEQUENCES FOR ALL PRODUCERS.

I WOULD ALSO LIKE TO MAKE A FEW COMMENTS ON THE MATTER OF COFFEE PRICES, A SUBJECT THAT HAS GIVEN RISE TO

SOME DISQUIETING DISTORTIONS. THE FROST IN BRAZIL,
COMING AT A TIME WHEN THE SUPPLY SITUATION WAS FAR
DIFFERENT FROM WHAT IT HAD BEEN IN THE PAST, COULD NOT
HELP BUT PROVOKE A RISE IN PRICES. NOBODY - PRODUCERS
AND CONSUMERS ALIKE - IS TO GAIN IF COFFEE PRICES REACH
SUCH A LEVEL AS TO CAUSE A FALL IN CONSUMPTION. BUT IT
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 LONDON 16761 02 OF 03 031612Z

IS ESSENTIAL TO RECOGNIZE THAT THE RISE OBSERVED
IN THE LAST FEW MONTHS OCCURRED WHEN PRICES WERE AT AN
EXTREMELY LOW LEVEL, SO LOW AS TO IMPARE OUR ABILITY TO
PRODUCE COFFEE. FURTHERMORE, TODAY'S PRICE LEVELS ARE
IN NO WAY EXCEPTIONAL, SINCE THEY SIMPLY AFFORD A
CORRECTION FOR THE REAL LOSSES SUSTAINED DURING THE
LAST FEW YEARS AS A RESULT OF THE UNBROKEN RISE IN THE
PRICES OF THE MANUFACTURED GOODS WHICH MAKE UP THE
IMPORTS OF MOST OF THE COFFEE PRODUCING COUNTRIES. AT
PRESENT PRICE LEVELS, MR. CHAIRMAN, WE WILL BE ONLY

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 LONDON 16761 03 OF 03 031620Z

44

ACTION EB-07

INFO OCT-01 AF-06 ARA-10 EUR-12 ISO-00 SSO-00 NSCE-00

USIE-00 INRE-00 AGR-10 CEA-01 CIAE-00 COME-00 DODE-00

FRB-01 H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05

PA-02 AID-05 CIEP-02 SS-15 TAR-01 TRSE-00 PRS-01

SP-02 FEAE-00 OMB-01 STR-04 EA-09 NEA-10 IO-10 OIC-02

/138 W

----- 110714

O R 052109Z NOV 75 ZFF 4

FM AMEMBASSY LONDON

TO SECSTATE WASHDC NIACT IMMEDIATE 6103
INFO AMEMBASSY BRASILIA
AMEMBASSY BOGOTA
AMEMBASSY MEXICO
AMEMBASSY ABIDJAN
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

UNCLAS SECTION 03 OF 03 LONDON 16761

ALLEVIATING A BALANCE-OF-PAYMENTS CRISIS THAT HAS BEEN
JEOPARDISING OUR HARD-FOUGHT DEVELOPMENT GAINS IN THE
SOCIAL AND ECONOMIC FIELD.

MR. CHAIRMAN, THESE CONSIDERATIONS ARE MADE WITH THE
SOLE PURPOSE OF DEFINING, AS CLEARLY AS POSSIBLE,
BRAZIL'S POSITION IN REGARD TO THE NEW COFFEE
AGREEMENT AFTER THE FROST THAT SO SEVERELY HIT OUR MAIN
PRODUCING AREAS. IN SHORT, WE ARE CONVINCED THAT THE
FALL IN THE BRAZILIAN PRODUCTION IS TRANSITORY, ALTHOUGH,
IN ALL LIKELIHOOD, WE WILL HAVE TO EXPORT SOME 12 MILLION
IN EACH OF THE NEXT TWO YEARS. IN ORDER TO AVOID
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 LONDON 16761 03 OF 03 031620Z

UNCERTAINTY ON THE MARKET, WE INTEND TO MAKE THE
SHORTFALL NOTIFICATIONS BEFORE THE BEGINNING OF EACH
OF THESE COFFEE YEARS, THUS PERMITTING THAT THE
SHORTFALLS BE DISTRIBUTED BEFOREHAND AMONG THE
PRODUCING MEMBERS. ONCE WE HAVE OVERCOME THIS PERIOD,
BRAZIL, AS I SAID EARLIER, WILL FULLY REGAIN ITS
TRADITIONAL SHARE OF THE WORLD COFFEE MARKET. PRESENT
PRICES, WHICH REFLECT THE PLAY OF MARKET FORCES SO
ZEALOUSLY SUPPORTED BY MANY IMPORTING MEMBERS, ARE IN
NO WAY EXCEPTIONAL WHEN PLACED IN THE WIDER CONTEXT OF
INTERNATIONAL ECONOMIC RELATIONS. THE PACKAGE OF
DECISIONS REACHED AT OUR LAST SESSION IS THE RESULT OF
INTENSE PREPARATION AND DIFFICULT NEGOTIATIONS, WHICH
UNDER NO CIRCUMSTANCES SHOULD BE REOPENED NOW USING
THE FROST IN BRAZIL AS A PRETEXT. THE NEW AGREEMENT,
AS OUTLINED IN JULY, WAS DESIGNED TO PERMIT THE
ORDERING OF THE MARKET IN VARIOUS SUPPLY CONDITIONS -
AND NOT, WE MUST INSIST, AS AN INSTRUMENT THAT COULD
ONLY BE USED TO SUSTAIN PRICES AT LOW LEVELS IN THE
FACT OF AN UNMANAGEABLE OVERSUPPLY OF COFFEE. FOR
THESE REASONS, MR. CHAIRMAN, THE BRAZILIAN GOVERNMENT
IS PREPARED TO RESUME THE NEGOTIATIONS AT THE POINT
THEY WERE SUSPENDED IN JULY, SO AS TO CONCLUDE AN
AGREEMENT CAPABLE OF ENTERING INTO EFFECTIVE OPERATION

BY OCTOBER 1ST, L976. END TEXT. RICHARDSON

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENT DRAFT, COFFEE, MEETINGS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 03 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975LONDON16761
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750381-0105
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751181/aaaacukv.tel
Line Count: 332
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 7
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 26 SEP 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 SEP 2003 by chicheje>; APPROVED <18 FEB 2004 by buchant0>; APPROVED <18 FEB 2004 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COFFEE NEGOTIATIONS: OPENING SESSION
TAGS: ETRD, EAGR, EPAP, ICO
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006